

Message Text

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70

ACTION IO-14

INFO OCT-01 ADP-00 ABF-01 TRSE-00 OMB-01 AF-10 ARA-16

EA-11 EUR-25 NEA-10 RSC-01 SS-15 L-03 H-03 NSC-10

CIAE-00 INR-10 NSAE-00 PA-03 USIA-12 PRS-01 AGR-20

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E.O. 11652: N/A

TAGS: AORG

SUBJ: UN BUDGET CURRENCY

REF: GENEVA 3419

1. FOLLOWING IS THE TEXT OF THE CONFIDENTIAL STATEMENT MADE
BY SYG AT ACC MEETING JULY 7 REFERRED TO PARA 2 AND 3 REFTEL.

2. BEGIN QUOTE: FROM THE UNITED NATIONS POINT OF VIEW
WE HAVE HAD UNDER CONTINUOUS AND INTENSIVE REVIEW SINCE OUR
LAST ACC MEETING THE PROBLEM CREATED FOR OUR 1973 BUDGET
AND FOR OUR 1974-75 BIENNIAL BUDGET, AS A RESULT OF THE SERIOUS
WEAKENING OF THE US DOLLAR SINCE THE BEGINNING OF THE YEAR
IN RELATION TO THE OTHER CURRENCIES WE NEED AND USE.

3. THE CURRENCY CRISIS, IN FACT, BEGAN AND CONTINUED
THROUGHOUT THE VERY PERIOD WHEN WE WERE PREPARING OUR OWN
1974-75 BUDGET ESTIMATES, AND THE PROGRESSIVE DECLINES, MONTH
BY MONTH, IN THE VALUE OF THE US DOLLAR - OUR OFFICIALLY AUTHORIZED
UNIT OF ACCOUNT FOR THE ASSESSMENT OF CONTRIBUTIONS AGAINST
MEMBER STATES, AS WELL AS FOR BUDGET AND SALARY PURPOSES -
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WAS MADE VASTLY MORE DIFFICULT ON THIS ACCOUNT.

4. OUR MAJOR PROBLEMS ARE WITH THE US DOLLAR IN RELATION TO THE SWISS FRANC, AND SECONDLY THE AUSTRIAN SCHILLING. OUT OF OUR GROSS EXPENDITURE IN 1973 ON REGULAR BUDGET ACCOUNT, APPROXIMATELY ONE-THIRD, (\$65 MILLION OUT OF \$225 MILLION) IS EXPENDED HERE IN GENEVA AND INVOLVES PAYMENT IN SWISS FRANCS. APPROXIMATELY \$15 MILLION IS RELATED TO THE UNIDO REGULAR BUDGET IN VIENNA AND INVOLVES PAYMENTS IN AUSTRIAN SCHILLINGS, WITH ANOTHER \$15 MILLION IN RELATION TO THE ECONOMIC COMMISSIONS IN ADDIS ABABA, SANTIAGO AND BANKOK AS WELL AS THE ECONOMIC AND SOCIAL OFFICE IN BEIRUT, AND A NETWORK OF SMALL OPI OFFICES AROUND THE WORLD.

5. IN OTHER WORDS ABOUT \$90 MILLION OR 40 PER CENT OF THE TOTAL EXPENDITURES OF \$225 MILLION COMPRISING THE UNITED NATIONS REGULAR BUDGET REQUIRES CURRENCIES OTHER THAN THE US DOLLAR. HEADQUARTERS EXPENDITURES, ON EXPENDITURES WHERE PAYMENT CAN CONTINUE TO BE MADE IN US DOLLAR VALUES WITHOUT INCURRING LOSSES AS A RESULT OF DEVALUATION AMOUNT TO ABOUT 60 PER CENT OF THE TOTAL UNITED NATIONS REGULAR BUDGET - OR \$135 MILLION OUT OF \$225 MILLION.

6. NONE OF THE FOREGOING TOUCHES ON THE NUMEROUS TRUST FUNDS OR ON THE EXPENDITURE BUDGETS OF SUBSIDIARY ORGANS SUCH AS UNDP, UNICEF, UNITAR, ETC. WHOSE EXPENDITURES ARE FINANCED FROM VOLUNTARY EXTRA-BUDGETARY FUNDS. THOSE ORGANS, OF COURSE, ARE ALSO SERIOUSLY AFFECTED TO THE EXTENT THAT THEY RECEIVE THEIR CONTRIBUTIONS IN US FUNDS AND HAVE TO EXPEND THEM IN COUNTRIES AGAINST WHOSE CURRENCIES THE US DOLLAR HAS FALLEN SHARPLY IN VALUE.

7. THE UNITED NATIONS SECRETARIAT HAS FOLLOWED CLOSELY THE DISCUSSION OF POSSIBLE ALTERNATIVE SOLUTIONS WHICH TOOK PLACE AT THE MEETING OF THE AD HOC COMMITTEE CONVENED BY UNESCO 10-14 AUGUST 1972 AS WELL AS THE DOCUMENTATION WHICH PRECEDED AND FOLLOWED THAT MEETING. IT HAS PARTICIPATED IN THE CCAQ STUDY AND DISCUSSION OF THE PROBLEM AND IN THE PREPARATION OF THE REPORT WHICH IS NOW BEFORE THE ACC. EACH OF THE POSSIBLE ALTERNATIVES PRESENTS DIFFICULTIES OF A MAJOR NATURE; BUT IT IS EQUALLY TRUE THAT TO REMAIN AS WE LIMITED OFFICIAL USE

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ARE, AND TO DO NOTHING IS NO LESS ACCEPTABLE AS A COURSE OF ACTION.

8. I HAVE COME TO THE CONCLUSION THAT OF ALL THE ALTERNATIVES PRESENTED FOR CONSIDERATION THE ONE WHICH POSES THE FEWEST DIFFICULTIES AND OFFERS THE BEST PROSPECT OF A SATISFACTORY SOLUTION OF THE PROBLEM IS THE ONE WHICH INVOLVES THE USE OF TWO CURRENCIES - THE US DOLLAR AND THE SWISS FRANC - AS

THE TWOFOLD BASIS FOR EXPRESSING OUR EXPENDITURE BUDGET AND OUR SCALE OF CONTRIBUTIONS BY MEMBER STATES. I BELIEVE THAT FOR THE UNITEDNATIONS REGULAR BUDGET WE SHOULD EXPLORE FURTHER THE POSSIBILITY OF PRESENTING THE THE GENERAL ASSEMBLY A BUDGET WHICH PRESENTS OUR FINANCIAL REQUIREMENTS PARTLY IN UNITED STATES DOLLAR (TO THE EXTEND OF APPROXIMATELY 60 PER CENT, REPRESENTED BY HEADQUARTERS EXPENDITURES) AND PARTLY IN SWISS FRANCS (TO THE EXTEND OF THE REMAINING 40 PER CENT, OF WHICH TWO-THIRDS OR MORE IS SPENT AT THE EUROPEAN HEADQUARTERS OF THE UNITED NATIONS IN GENEVA).

9. THIS WOULD REQUIRE, OF COURSE, A CHANGE IN THE FINANCIAL REGULATIONS THROUGH A RESOLUTION TO BE APPROVED BY THE GENERAL ASSEMBLY. THE REGULATIONS PRESENTLY REQUIRE MEMBER STATES TO PAY THEIR ASSESSMENTS IN US DOLLAARS, ALTHOUGH OTHER CURRENCIES MAY BE ACCEPTED BY THE SECRETARY-GENERAL IF HE HAS THE MEANS OF UTILIZING THEM. THE ASSEMBLY WOULD HAVE TO PROVIDE BY AN AMENDING REGULATION THAT IT WOULD BE OBLIGATORY HENCEFORTH FOR MEMBER STATES TO PAY THEIR ASSESSMENTS PARTLY IN US DOLLARS (TO THE EXTENT OF 60 PER CENT) AND PARTLY (TO THE EXTENT OF 40 PER CENT) IN SWISS FRANCS.

10. I REALIZE THAT THERE MAY BE DIFFICULTIES IN PERSUADING THE GENERAL ASSEMBLY TO APPROVE SUCH A RESOLUTION.

10. THERE CAN ALSO BE NO GUARANTEE THAT THE SWISS FRANC WILL NECESSARILY OVER THE LONG TERM PROVIDE GREATER STABILITY THAN THE US DOLLAR WHICH HAS PROVIDED A REASONABLY FIRM CURRENCY BASE FOR OUR FINANCES OVER MORE THAN TWENTY-FIVE YEARS. BUT WE MUST DO SOMETHING; WE CANNOT LET THE SITUATION CONTINUE TO DRIFT, AND STAND HELPLESSLY WHILE OUR BUGETARY SITUATION CONTINUES TO DETERIORATE. THAT IS WHY I FEEL STRONGLY THAT WE MUST EXPLORE TO THE FULL THE POSSIBILITY LIMITED OFFICIAL USE

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OF A SOLUTION ALONG THE LINES THAT I HAVE MENTIONED. IT IS IN THE HOPE THAT I CAN RECEIVE YOUR COMMENTS THAT I DECIDED TO SHARE MY THINKING AND MY INTENTION WITH YOU TODAY IN REGARD TO THIS MATTER. END QUOTE BASSIN

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